

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2002-526

October 22, 2003

NORTHERN UTILITIES, INC. – MAINE
Request for Approval of Affiliated Interest
Transaction with Granite State Gas
Transmission Company

ORDER APPROVING
SETTLEMENT AGREEMENT

WELCH, Chairman; DIAMOND and REISHUS, Commissioners

I. SUMMARY

We approve Northern's proposed Settlement Agreement with its affiliate, Granite State Gas Transmission Company (Granite). Because the Settlement Agreement resolves all outstanding issues in this proceeding, we close this docket.

II. BACKGROUND

In our last order in this proceeding, issued July 3, 2003, we denied Northern's request for approval of its proposed "Fourth Amendment" to its contract with its affiliate, Granite. We stated that we would approve a 1-year contract amendment encompassing the period of November 1, 2002 through October 31, 2003, at a volume of 84,000 decatherms (Dth) per day and at Granite's current FERC rates.

Since July, Northern and Granite have been engaged in negotiations to clarify Northern's capacity obligations. On October 14, 2003, Northern filed a proposed (unexecuted) Settlement Agreement that purports to resolve all outstanding issues on the present contractual obligations of Northern and Granite. Northern also filed a Motion for Protective Order. Northern requested that the Commission keep confidential all of the Settlement Agreement except paragraph 1 which contains the price, quantity and essential term of the capacity arrangements to which they have agreed. On October 21, 2003, the Hearing Examiner issued Temporary Protective Order No. 1 according protective treatment to a more limited portion of the Settlement Agreement.

III. DISCUSSION AND DECISION

Granite and Northern are affiliates pursuant to 35-A M.R.S.A. §707. Maine law establishes that a public utility may not make any contract or arrangement for service with any affiliated interest until the commission finds that the contract or arrangement is not adverse to the public interest and gives the contract or arrangement its written approval. 35-A M.R.S.A. § 707(3). Northern and Granite here propose to establish terms for Northern's use of Granite's capacity for the current year ending

October 31, 2003, with agreement for the arrangement to continue on a month to month basis thereafter.

We find the Settlement Agreement (redacted version, attached and incorporated into this Order) between Northern and Granite to be consistent with the quantity, price and term that we indicated we would approve in our July 3rd Order. In addition, it provides closure on a dispute between the affiliates on the terms governing their contractual arrangements, resolving it in a manner that is consistent with the interests of Northern and its ratepayers. Accordingly, we find that the Settlement Agreement is not adverse to the public interest and we approve it.

Dated at Augusta, Maine, this 22nd day of October, 2003.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Diamond
 Reishus